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MIRROR MARKETING

Badge Engineering Phase II

Customer Satisfaction: Oh, Those Golden Goodies!

Holy Horsepower! Japanese Hydrogen Car Revealed

AUTOMOTIVE INDUSTRIES

August, 1985/Volume 165, Number 8

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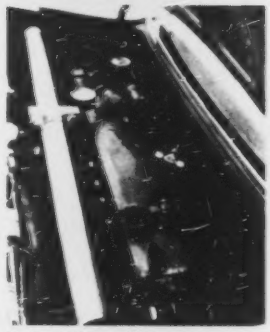
Customer Satisfaction—p.42



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QUOTABLE

"They can't make computer chips there, they can't make potato chips there—they can't even make buffalo chips there"—AMC exec on his company's troubled Kenosha, WI assembly plant just prior to the labor settlement.

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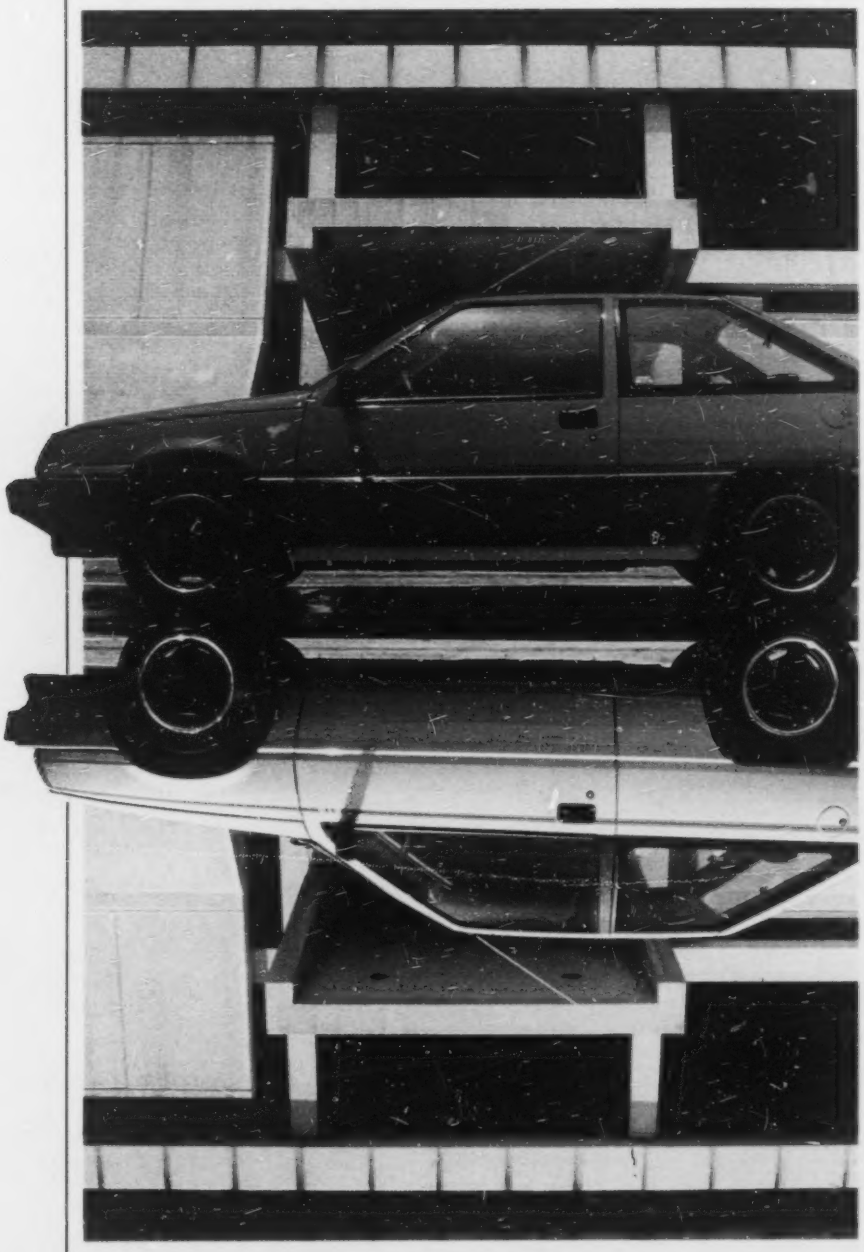
MIRROR MARKETING: WHEN YOUR NAME IS YOUR UNIQUE FEATURE

Badge engineering phase II, or, "No-one ever went broke underestimating the intelligence of the American people."



by Lance Ealey and Lindsay Brooke

"We even had one customer the other day that we tried to sell a [Chevrolet] Spectrum to. He said he wouldn't buy a Spectrum, but he would consider an [Isuzu] I-Mark. We didn't have what he wanted so I said, 'let me show you the Spectrum, it's the same car.' He said, 'hey, I wouldn't buy anything that says Chevrolet on it.' I said, 'But it's made by Isuzu.' He said 'I don't care, it says Chevrolet on it.' "—Larry Martin, sales manager of Jim Quinlan Chevrolet/Isuzu, Clearwater FL.

The art of attaching one's badge to someone else's sheetmetal has taken a curious twist in the last few years.

Stealthfully concealing a sister division's rolling stock underneath your own battle crest is a shell game familiar to car marketeers worldwide. Could it be possible to get much more mileage out of GM's J-car? Not likely; all five divisions sell it, ranging in price from $6976 for Chevy's coarsest-cloth Cavalier to a cool $13,332 for the ultra Zoot-suited Cadillac Cimarron. And Chrysler's K-platform in stretched and tweaked form birthed most of the fwd-ness coming out of Lido's shop.

But wait! The shell game recently crossed corporate lines. Chevrolet and Isuzu are selling the same Isuzu-built car under aliases; Chevy and Toyota are selling cars, one built in Fremont, CA, the other in Japan, that are more similar than not; Chrysler

The Mitsubishi Mirage (Turbo shown above) and the Dodge/Plymouth Colt (GTS version, below) are one in the same cars.

The Chevy Spectrum (left) and the Isuzu I-Mark (right). Isuzu has positioned the I-Mark slightly above the Spectrum in trim level, but the cars are otherwise identical.

and Mitsubishi are selling two models, identical except for names and badges; and Ford seems set to grab up Mazda 626 production from that company's forthcoming Flat Rock, MI assembly plant. Ford's already sells Mazda-built models under its own badges in the Far East.

"What we're seeing these days is just the tip of the iceberg; there's going to be a lot more [badge engineering], and at the lower end there's going to be very little differentiation [between carlines]," says George Peterson, director of Automotive Programs at J.D. Power & Associates, a marketing information firm.

Chevy/Isuzu/Toyota

Peterson makes an important distinction: most intracorporate mirror marketing attempts involve low-line cars. "What we're finding, especially on the low end of the line, is that probably it's right. But when you move up through the line to the more expensive cars, what you're really looking for is a way to more clearly differentiate your product from somebody else's. So then badge engineering doesn't work that well.

"Most of the domestic manufacturers will admit to you, right to your face," continues Peterson, "that if it were not for the CAFE [Corporate Average Fuel Economy] regulations they would not be producing anything smaller than middle-sized cars in the United States.

"You figure that the smallest car Ford would produce here would be the Taurus/Sable; the smallest car that General Motors would produce here would be an A-car. Everything else would be offshore.

"You have several manufacturers out there that are capable of producing more cars than they can sell. That includes Mitsubishi, that includes also a lot of the Korean companies, in fact all of the Korean companies. And probably several other Japanese companies. I would not be surprised to find Nissan producing cars for other people. They already produce the Volkswagen Santana in Japan."

If battle lines have been drawn between Chevrolet Spectrum and Isuzu I-Mark dealers, Chevy apparently hasn't noticed. "It's very simple," states a Chevrolet spokesman, "the numbers of dealers are in our favor. When we go nationwide in the fall [with the Spectrum] we've got 5200 dealers. That's the main point right there. A lot of Chevrolet intenders will have never even heard of the Isuzu I-Mark.

"Your I-Mark intender may be lured into a Chevrolet dealership knowing that the Spectrum is coming in," the Chevy man says. "And it's the same car but it's got the backing of the Chevrolet dealership and the Chevrolet network across the country. We don't even have to market the Spectrum, and we're not marketing it against the I-Mark. It's more that we ignore the I-Mark than anything else. I don't know what Isuzu's going to do, but we don't have that problem."

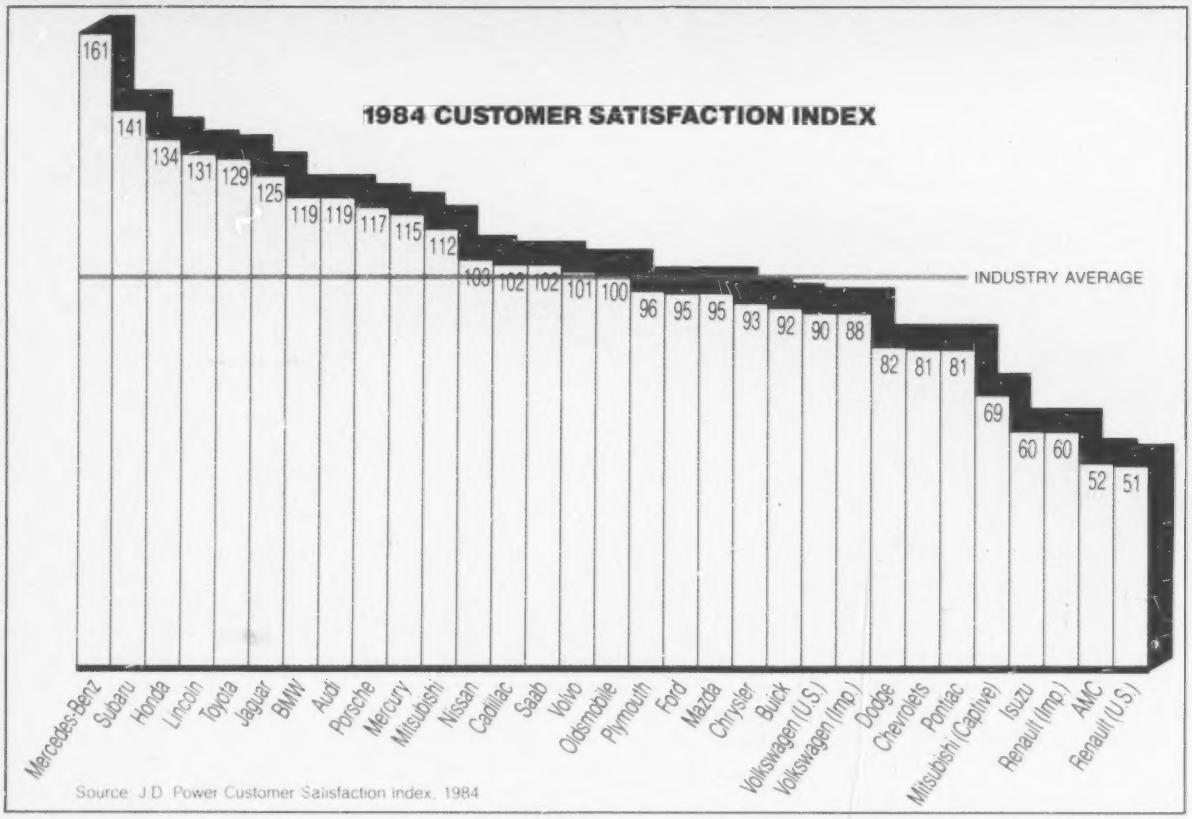
Meanwhile, over on the other side of the playing field: "The problem that Chevy faces that they're trying to avoid," an Isuzu spokesman explains, "is that if you get a four-door, heavily optioned vehicle, that thing is going to cost as much as basically an entry-level Celebrity or something. And then, you know, Americans buy cars by the pound or by the size; and it's going to be a tough sell. This guy's got a $9500 Spectrum on the floor, and a $9500 Celebrity. There's a pretty good chance Fred and Alice Six-pack are going to go to the Celebrity."

Is Isuzu worried that the sheer volume of Chevy dealers—the largest dealer body in America—might hurt Isuzu dealer sales? "Well, they haven't had a sheer volume of Spectrums yet," says the spokesman.

A Dealer Game

Says J.D. Power's George Peterson, on how you go about selling badge-engineered cars though different corporate dealer networks, "It really becomes a dealer game at that point. Who has more dealers, who has stronger dealers, who has better dealer representation. Certainly Chevrolet can sell all of the Suzuki Cultuses or Chevrolet Sprints that they can get. Suzuki will be bringing in their own product very shortly, the Cultus. And you better believe that Chevrolet will be able to sell a lot more of those then Suzuki would. So it really has to do with giving your dealers a wide enough product range that a customer can just walk into your dealership

(Continued)



J.D. Power's 1984 customer satisfaction index reveals that people who bought their cars from Mitsubishi dealers were, as a whole, more satisfied with their vehicles than people who purchased Mitsubishis from Dodge/Plymouth dealers (see Mitsubishi Captive listing). The chart also reveals that people who bought Chrysler Corp. domestic products were more satisfied than those who purchased Chrysler's captive imports.

and pick out exactly the car that they want. Whether or not its a Chevrolet built by Suzuki in Japan, or whether it's a Chevrolet built by Isuzu in Japan or built by Toyota in Fremont, California."

Toyota Concerned?

On any rivalry between Toyota and Chevrolet over the NUMMI-built Nova, Peterson says, "Toyota seems to be concerned. They're really interested in the price point that Chevrolet's going to be selecting for the Nova [*base price is $7195, with the average-equipped model going for about $8800, according to Chevy. The base price of the fwd Corolla sedan is just under $7000—ed.*]

"Toyota themselves have a very strong dealer body, but it's about 1/5th the size of the Chevrolet dealer body. The concern there, is that Toyota has been in a sort of low supply/high demand mode over the course of the the last three to four years that the restraints have been in place. They haven't really had to sell their product. So Toyota has been demand-driven rather than supply-driven.

"There's a question there about the possibility of the Nova in the hands of Chevrolet winning the battle against the Corolla in the hands of a Toyota dealer who hasn't been having to bite and scratch for every sale."

A Chevy spokesman comments, "The Chevy dealer network is the biggest one around. And this has always been a problem with people buying imports when they get outside the big urban area, except in California, and the car breaks down. What happens? You wait for parts, you wait for this, you wait for that. There have been a lot of studies."

Chryslubishi

The most overtly badge-engineered cars currently on the US mirror market are the Chrysler Colt/Mitsubishi Mirage hatchbacks and the Chrysler Conquest/Mitsubishi Starion sport coupes. All four cars are built by Mitsubishi and differ only in nameplate and minute trim details.

Chrysler isn't trying to camouflage the origin of its imports. Instead, according to Darryl L. Davis, Chrysler's general manager of import and export operations, the company is pulling its Oriental offerings out of the closet for good. Advertising copy touts the cars as being "All The Japanese You Need To Know," and subtle "Imported for Dodge, Built by Mitsubishi" badges adorn both vehicles.

[*Mitsubishi officers in Japan declined to answer marketing questions submitted by* AI.—*ed*].

And in facing the Colt and Conquest models off against their Mitsubishi brethren, Davis claims his division's mirror marketing is simply taking advantage of the different

The Deja vu Two: Chrysler Conquest (left) and Mitsubishi Starion.

mindset, tastes and buying habits which separate import and domestic car buyers. Many salespeople agree.

"The US and foreign car buyers are a totally different breed,"says Jack Reis, sales manager for Dover Chrysler-Plymouth in Rockaway, NJ.

"The foreign car buyer that comes in here—we try to switch him into an American car and he doesn't want to know anything about it," says Reis.

Reis says that neither the domestics' 8.8% financing nor the 5/50 warranty sway the buyer who comes in intent on landing a Japanese Chrysler.

"He came in looking for that car, and he's gonna buy nothing *but* that car," Reis explains. "Foreign car buyers will pay $1000 over sticker and then tell everyone how wonderful the car is."

Davis says Chrysler's import strategy complements its domestic sales, but some dealers wonder if the company isn't sending potential buyers into the Mitsubishi camp with its "All The Japanese You Need To Know" sloganeering.

"Half of them come in with brochures from Dodge which is right across the street," one New York Mitsubishi sales manager told *AI*. "What we've heard from most of the customers who come to us who went in to buy, say, a Conquest is that the Chrysler/Dodge salesman would try to push them into one of their own cars first. Then as a last resort, if the customer insisted they wanted the Mitsubishi they'd sell them the Mitsubishi. They [the Chrysler dealership across the street] don't *get* as many [Mitsubishi-built cars] as we do, so their supplies are more limited, their color choices are more limited. They'd rather sell their own cars."

Chrysler: 'Buy Japanese'

"As a Mitsubishi dealer we just use this as another example of why to buy Japanese," explained an East Coast Mitsubishi sales manager who requested anonymity. "You've got Chevrolet and Toyota married together; Ford and Mazda, Mitsubishi and Dodge/Chrysler. The American car manufacturers are *telling* you to buy Japanese—because even *they* are buying Japanese."

Could this be the beginning of internecine warfare among the pentastar partners?

"I don't see that Mitsubishi is really a competitor of mine," states Davis confidently. "They've been regionalized because of their volume, and their marketing strategy has been one of single-line dealers in metropolitan points. They have 82 dealers and I've got 4000—that really doesn't pose any big threat to me," he says. "We probably compete more with Nissan, Honda and Toyota."

Why would a car shopper choose a Colt over a Mirage, a Conquest over a Starion—or vice versa? Chrysler and Mitsubishi dealers list Chrysler's overwhelming dealer numbers, Mitsubishi's factory-trained mechanics and even Lee Iacocca as factors—as well as vehicle availability.

"It's six-of-one, half-a-dozen of the other," exclaims Mike Marenzi, sales manager for Alhambra Dodge in Alhambra, CA. "Sometimes you can sell them [Colt shoppers] an Omni. We'd like to see more Colts; it often depends on how many comparable American cars we have—it's all on availability."

Rockaway (NJ) Mitsubishi sales manager Bill Catlin concurs, and claims he has to compete with Chrysler's Omni-Horizon twins as well as Colt. "If supply is there, it's no problem," he says. "We have a small number of dealers compared with Chrysler, but it must be tough on Chrysler too. What does a Chrysler dealer get—two [imports] a month?"

Customer Satisfaction

According to the 1984 J.D. Power survey (see chart), there's a big difference between the two badges in customer satisfaction. Mitsubishi owners buying from Mitsubishi dealers are much happier with their cars than are their Chrysler/Mitsubishi-buying counterparts. Although this survey covered only the 1983 model year, in which there was no model overlap between the companies, it points to a wide perception disparity between owners of cars built by the same company and sold under two different emblems.

The two long-time partners are certain to become increasingly competitive with one another in the last half of the '80s. No one *yet* is saying "This town ain't big enough for the both of us." Are both companies set to continue on separate marketing tracks with identical products?

"There probably could be a lot more positive joining of efforts—and we could probably help each other more than we do," says Chrysler's Davis. "From a marketing perspective as far as the cars are concerned I would think that both distribution channels could do certain things that would work in concert to enhance both of them and not tread on them."

By agreement, no dualed Mitsubishi/Chrysler dealers exist today. But if they did, how would a sales manager pitch identical cars under different badges from the same store?

"I'd put all the Mitsubishi cars together with their badges on one side and all the Chrysler cars together with their badges on the other, says Rockaway Mitsubishi's Catlin. "Because it's the image they present that's important, not the final product. It's the corporate image of each."

"You could stick a Japanese nameplate on a trashcan and people would buy it."—Jay Vollweiler, sales manager at New Rochelle Dodge, New Rochelle, NY. ■

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T&OHI NEWS

Hino Claws For National Medium Sales

by Douglas Williams

Hino has landed in the US for real, taking its three very recent medium-duty trucks nationwide, according to John Hanrahan, sales and marketing VP for the company. All diesels, the trucks range in GVW from 25,500 to 30,000 lb (*11,500 to 13,600 kg*) and in horsepower from 160 to 200. (See TOHI, April '85, "Invasion of the HD Market Snatchers," p. T-9).

All the Hino newcomers are cabover-engine (COE) straight trucks in the range of Class 6.

The engines are offered in both turbo and naturally-aspirated versions. Interestingly, Hino also will offer a Cummins B-Series diesel.

"We're pragmatic about the US market," Hanrahan says. "We think we can get additional sales with Cummins availability."

Initially, the Cummins powerplant will be offered only in the FE model, a 25,500 lb GVW straight truck with hydraulic brakes.

The company expects to have 65 dealers in the US by year end and has set 135 as the number it ultimately wants in the continental US, and another 45 in Canada.

"Hino is the largest medium and heavy truck maker in the domestic Japanese market and the second largest in the world," Hanrahan claims. "We have got a particular challenge here in having a different name than Toyota—the other truck makers have carmaker names," Hanrahan says, noting the difficulty in marketing an unfamiliar Japanese trucks-only marque in the US.

"These trucks went into regular production in Japan in 1981," he explains. But "there was a great deal of attention given to make them adaptable to the US market. Our initial vehicles met the California emissions requirements immediately, something the European trucks didn't do."

Hino reports it first recieved EPA engine certification 12 years ago.

The design of the current generation of Hino US-spec medium-duty diesel trucks got underway in 1977. They were introduced into five southern states in January 1984. ■

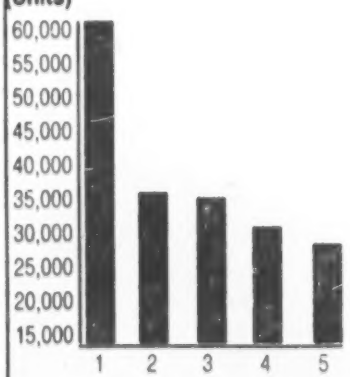
Modular Approach To Instrumentation

by Peter J. Mullins

Seen at the recent SITEV show in Geneva was a unique modular instrumentation system aimed mainly at low-volume vehicle builders (truck and off-highway), but also offering volume carmakers a flexible system for special models.

Automotive and Industrial Systems Ltd., Dyffryn Industrial Estate, Ystrad, Mynach, Hengoed, Wales, has devised a Lego-like modular system of tough plastic blocks which are locked together with simple wedges. A vehicle manufacturer can build up a complete display to his own requirements using either conventional electro-mechanical instruments or the latest vacuum fluorescent/liquid-crystal types—or a combination of the two. There are two basic module sizes. Advantages claimed are negligible tooling costs compared with traditional package instrumentation, ease of installation and much simpler servicing. ■

FYI: WORLD HEAVY-DUTY TRUCKMAKERS '84
Five Largest Heavy Truckmakers (Weighing 32,000 lb or more)



1—Mercedes+F'Liner: 61,100
2—Volvo/White: 36,100
3—IH: 36,000
4—Paccar: 33,400
5—Mack:27,700

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PIRELLI UNBAGS SUPER TIRES

While total tire sales in Europe are expected to stagnate between now and 1990, super ultra-low profile radials are booming. Pirelli forecasts that with turbocharging and multi-valve technology now common, the carmakers fitting ULPs as standard will double.

by Peter J. Mullins

Pirelli has drawn back the curtain on two new super tires which the company claims represent a major advance in high-speed tire technology. Known as P600 and P700, the tires are in effect a second generation of the ultra-low profile (ULP) P6 and P7 tires launched in the mid-'70s.

Notes F. Semin, technical director of Pirelli's car tire division: "We believe the P700, the higher performing of the two, is the highest-performance road car tire in the world today. It has been [approved] by Porsche already and will be fitted as original equipment to the German manufacturer's whole product range—including the 944 Turbo—from August 1985, the start of the 1986 model year. It will eventually replace the P7.

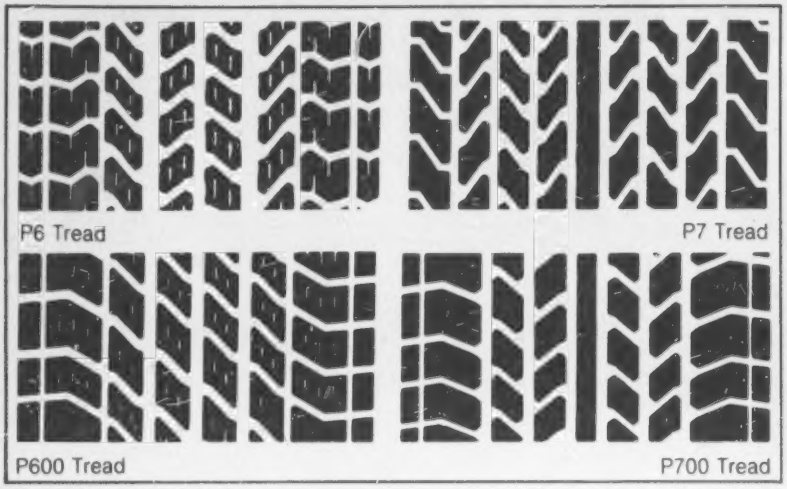
"The P600—aimed at cars like the Golf GTI and Saab 9000 Turbo—will be sold in parallel with the P6, which Pirelli currently supplies as original equipment for over 70 cars made in Europe, the US and Japan."

Jotters Judge Tires

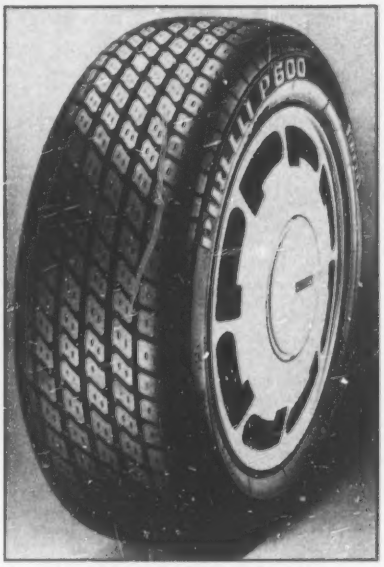
Journalists were able to try out the new tires for themselves on the twisty Jarama racing circuit just north of Madrid. Part of the track—including two sharp bends—was flooded to test aquaplaning resistance. Cars available included: a couple of BMW M 635 CSis, a Porsche 911, a Porsche 928S (all fitted with P700s), some of the new turbocharged Saab 9000s, a collection of Golf CTIs, Peugeot 205 turbos, Renault 5 turbos and a few Ford Escort XR3s; these latter equipped with P600s.

Performance was impressive. Although a true test would have been to test each car first with P6s and P7s and then switch to the second-generation equivalents so a comparison could be made, it was still obvious

Nelson Piquet, twice world champion Formula One driver points out a feature of the Pirelli P700 unidirectional super tire fitted to a BMW M 635 CSI.



The P600 and P700 tread patterns (below) with the P6 and P7 tread patterns. The new treads were designed using computer-aided design and advanced experimental techniques.



Pirelli's new P600 tire can replace P6s on a number of GTI and turbocharged production cars. The tire offers considerably better performance. Unlike the P700, the P600 is not unidirectional.

that the new tires represented a new dimension in cornering power. Even when hitting the flooded portion of the track halfway round a bend at high speed, the tires gripped the road with little more than a twitch or two.

Pirelli's figures show that both supertires exceed their predecessors' performance levels in wet and dry handling, resistance to aquaplaning, mileage and noise. The P700, for instance, shows a 20% improvement in roadholding on dry surface and 10% in the wet. Overall track performance is up a startling 40% and mileage in severe driving conditions is increased 50%.

Equivalent improvements for the P600 are less marked. Roadholding up 10%, and mileage uprating 10%. Aquaplaning resistance is increased 15% for the P700 and 6% for P600.

Revolutionary Construction

In both cases, Pirelli has revolutionized the construction of the tires. On the P700, engineers decided on a two-ply carcass of slightly-crossed cord with a cushion of rubber compound in between them—a new tire industry technique. The way this unusual structure functioned under severe driving conditions was monitored using finite element analysis. Over the carcass, the P700 uses two belts of rubber-covered steel cord and over this two further belts of rubberized high-modulus nylon capable of maintaining its strength at temperatures up to 120°C (*248°F*). The rigidity of these two nylon belts is said to have an important influence on the tire's dimensional stability at maximum speed. Pirelli engineers say they have tested the P700 at speeds up to 200 mph (*320 km/hr*) and recorded dimensional growth of only 1.5%—appreciably less than contemporary tires.

Tread Differences

Finally the tread. This is unusual in that the pattern is directional and the tire can be put on in only one way. This argues the need for well-trained service personnel in the field, but since the market is highly specialized, Pirelli see this as no great drawback. The overall objective was to achieve the best configuration for roadholding in controlled power drift conditions and high aquaplaning resistance.

The P600 is more conventional in tread configuration because of the tire's different market requirements. It is not directional. The carcass comprises a single layer of rubberized cord, with two rubberized steel belts and then two wraps of rubberized high modulus nylon. The P600's tread pattern was designed entirely by computer and has a void ratio of 37%, a percentage selected by Pirelli engineers to match with the new multi-polymer compound derived from the P700.

Last but not least, great attention has been paid to noise generated at high speeds and the P600 is said to be 3 dBA quieter than the P6. A similar noise reduction for the higher-rated P700 is 2dBA. ■

World Tire Market ($30 Billion Total)

Segments	
Car	46%
Truck	32%
Van	16%
Agriculture	4%
Motorcycle	2%
Distribution	
North America	40%
Europe	29%
Japan	11%
Latin America	9%
Other	11%

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